

**REPORT OF THE AUDIT OF THE  
BOURBON COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2007**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**

**AUDIT EXAMINATION OF THE  
BOURBON COUNTY FISCAL COURT**

**June 30, 2007**

The Auditor of Public Accounts has completed the audit of the Bourbon County Fiscal Court for the fiscal year ended June 30, 2007. We have issued unqualified opinions on the governmental activities, each major governmental fund, and the aggregate remaining fund information of Bourbon County, Kentucky. We have also issued a disclaimer of opinion on the business-type activities and the jail canteen fund of Bourbon County, Kentucky due to the lack of adequate documentation maintained by the former Jailer.

**Financial Condition:**

The fiscal court had unrestricted net assets of \$3,433,923 in its governmental activities as of June 30, 2007, with total net assets of \$15,597,236. The fiscal court had total debt principal as of June 30, 2007 of \$8,096,768 with \$364,830 due within the next year.

**Report Comments:**

- Income From Inmates And Jail Canteen Revenues And Expenses Should Be Properly Accounted For And Reported
- Accounts Receivable Of Jail Inmate Fees Should Be Properly Accounted For

**Deposits:**

The fiscal court deposits were insured and collateralized by bank securities.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Donnie Foley, Bourbon County Judge/Executive  
Members of the Bourbon County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major governmental fund, and the aggregate remaining fund information of Bourbon County, Kentucky, as of and for the year ended June 30, 2007, as listed in the table of contents. We were engaged to audit the accompanying financial statements of the business-type activities and jail canteen fund of Bourbon County, Kentucky, as of and for the year ended June 30, 2007. These financial statements are the responsibility of Bourbon County Fiscal Court. Our responsibility is to express opinions on the financial statements of the governmental activities, each major governmental fund, and the aggregate remaining fund information based on our audit.

Except as discussed in the fourth paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, Bourbon County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

We were unable to obtain daily cash checkout sheets, receipts and disbursements ledgers, supporting documentation for disbursements, and bank reconciliations for the jail canteen fund and we were unable to apply other auditing procedures to the jail canteen fund.

Because of the lack of adequate documentation maintained by the former Jailer on the jail canteen fund and because we were unable to apply other auditing procedures to the jail canteen fund, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the business-type activities and the jail canteen fund.



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In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major governmental fund, and the aggregate remaining fund information of Bourbon County, Kentucky, as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bourbon County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated May 28, 2008, on our consideration of Bourbon County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- Income From Inmates And Jail Canteen Revenues And Expenses Should Be Properly Accounted For And Reported
- Accounts Receivable Of Jail Inmate Fees Should Be Properly Accounted For

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

May 28, 2008



BOURBON COUNTY OFFICIALS

For The Year Ended June 30, 2007

**Fiscal Court Members:**

Donnie R. Foley	County Judge/Executive
Mark Offutt	Magistrate
Marion Dawson	Magistrate
Barry L. Hay	Magistrate
Martha Overly	Magistrate
Donald R. McCarty	Magistrate
Cecil Foley	Magistrate
John N. Smoot	Magistrate

**Other Elected Officials:**

Dorothy M. Mastin	County Attorney
Baron Barnes (resigned 03/07)	Jailer
Richard S. Eads	County Clerk
Doug Fain	Circuit Court Clerk (Interim)
Mark L. Matthews	Sheriff
Woodford Wayne Turner	Property Valuation Administrator
Rosemary Kitchen	Coroner

**Appointed Personnel:**

Mary Allen Hedges	County Treasurer
Mary Allen Hedges	Occupational Tax Collector
Charlotte O. Stone	Finance Officer



**Telephone**  
859-987-2135  
859-255-8310  
Fax 859-987-2136

**Donnie R. Foley**  
Bourbon County Judge Executive  
Courthouse  
Paris, Kentucky 40361

**Magistrates**  
James Alexander  
Marion Dawson  
Barry Hay  
Dorothy Jo Mastin  
Donnie McCarty  
John Smoot  
George Turley

## **Management's Discussion and Analysis**

### **June 30, 2007**

The financial management of Bourbon County, Kentucky offers readers of Bourbon County's financial statements this narrative overview and analysis of the financial activities of Bourbon County for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

### **Financial Highlights.**

- Bourbon County had total net assets of \$15,636,848 as of June 30, 2007. The fiscal court had unrestricted net assets of \$3,433,923 in its governmental activities as of June 30, 2007, with total net assets of \$15,597,236. In its business-type activities, cash and cash equivalents were \$39,612 with total net assets of the same amount. Total debt principal as of June 30, 2007 was \$8,096,768 with \$364,830 due within one year.
- At the close of the current fiscal year, Bourbon County's balance sheet reported a fund balance of \$9,695,556. Of this amount, \$4,108,302 is available for spending at the government's discretion (unreserved fund balance).
- Bourbon County's total indebtedness at the close of fiscal year June 30, 2007 was \$8,096,768, of which \$7,731,938 is long-term debt (due after 1 year) and \$364,830 is short-term debt (to be paid within 1 year). Debt reductions were \$4,094,830 during the year.

### **Overview of the Financial Statements**

This management discussion and analysis is intended to serve as an introduction to Bourbon County's basic financial statements. Bourbon County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. These schedules include prior and current comparisons of general revenues by major source, and program expenses by function.

### **Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of Bourbon County's finances, in a manner similar to a private-sector business.

**Bourbon County**  
**Management's Discussion and Analysis**  
**June 30, 2007**  
**(Continued)**

**Government-wide Financial Statements (Continued)**

The *Statement of Net Assets* presents information on all of Bourbon County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Bourbon County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund activities.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Bourbon County's governmental activities include general governmental, protection to persons and property, general health and sanitation, roads, and recreation and culture. The County has one business type activity - the operation of a jail canteen.

The government-wide financial statements include not only Bourbon County itself (known as the primary government), but also a legally separate entity, which has a significant operational or financial relationship with the County. Bourbon County has one such entity, the Public Properties Corporation. It is known as a blended component unit.

**Fund Financial Statements** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Bourbon County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with legal and statutory requirements. All of the funds of Bourbon County can be divided into two broad categories: *governmental funds and proprietary funds*.

**Governmental Funds** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**Bourbon County**  
**Management's Discussion and Analysis**  
**June 30, 2007**  
**(Continued)**

**Governmental Funds (Continued)**

Bourbon County maintains twenty-eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, Jail Fund, John Marston Educational Fund, Clifton Gillespie Fund, Public Properties Corporation Courthouse Bonds Fund, and the Public Properties Corporation Bond Proceeds Fund, all of which are considered major funds by the County. Local Government Economic Assistance Fund, State Grant Fund, Phase I Fund, Wright House Fund, Health and Welfare Fund, Educational Trust Checking Fund, E.M. Costello Fund, Garth Fund, Thomas Costello Fund, Hamilton Fund, Robert Meteer Fund, Lucy Anderson Fund, Harrell-Kennedy Fund, Elaine Hinkle Fund, Lou Redmon Fund, Howard Forquer Fund, May Goff Fund, Talbott Clay Fund, Frances Champ Fund, FM Gillespie Fund, and the Ella Davis Fund are considered non-major funds and are represented in a combined form.

Bourbon County adopts an annual appropriated budget for its major governmental funds with the exception of the John Marston Educational Fund and the Clifton Gillespie Fund. A budgetary comparison schedule has been provided for the General Fund and the major special revenue funds, the Road Fund and Jail Fund to demonstrate compliance with their budgets.

**Proprietary Funds** Proprietary funds provide the same type of information as the business-type activities column on the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund.

**Notes to the Financial Statements** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Government-wide Financial Analysis**

**Net Assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The following table is a comparison of the county's Statement of Net Assets for 2006 and 2007.

	Governmental Activities		Business-type Activities		Total	
	2006	2007	2006	2007	2006	2007
<b>Assets</b>						
Current and other assets	\$ 8,876,872	\$ 9,695,556	\$ 34,188	\$ 39,612	\$ 8,911,060	\$ 9,735,168
Capital assets	10,660,741	13,998,448			10,660,741	13,998,448
Total Assets	19,537,613	23,694,004	34,188	39,612	19,571,801	23,733,616
<b>Liabilities</b>						
Current and other liabilities	179,830	364,830			179,830	364,830
Long-term liabilities	4,001,768	7,731,938			4,001,768	7,731,938
Total Liabilities	4,181,598	8,096,768			4,181,598	8,096,768
<b>Net Assets</b>						
Invested in capital assets, net of related debt	6,479,143	5,901,680			6,479,143	5,901,680
Restricted for:						
Permanent Fund	5,367,398	6,261,633			5,367,398	6,261,633
Unrestricted	3,509,474	3,433,923	34,188	39,612	3,543,662	3,473,535
Total Net Assets	\$ 15,356,015	\$ 15,597,236	\$ 34,188	\$ 39,612	\$ 15,390,203	\$ 15,636,848

**Bourbon County**  
**Management's Discussion and Analysis**  
**June 30, 2007**  
**(Continued)**

**Government-wide Financial Analysis (Continued):**

	Governmental Activities		Percent
	2006	2007	Change
Revenues:			
General Revenue	\$ 3,835,103	\$ 4,250,166	11%
Charges For Services	266,875	288,286	8%
Operating Grants and Contributions	3,353,775	2,617,705	-22%
Total Revenues	<u>7,455,753</u>	<u>7,156,157</u>	<u>-4%</u>
Expenditures			
General Government	2,070,392	2,721,688	31%
Protection to Persons and Property	1,790,049	2,029,672	13%
General Health and Sanitation	582,349	189,046	-68%
Social Services	448,729	444,996	-1%
Recreation and Culture	388,828	248,656	-36%
Roads	351,843	626,417	78%
Interest on Long-Term Debt	244,898	654,461	167%
Capital Projects	90,000	-	-100%
Total Expenditures	<u>\$ 5,967,088</u>	<u>\$ 6,914,936</u>	<u>16%</u>

**Changes in Net Assets**

*Governmental Activities.* Bourbon County's net assets increased by \$241,221 in fiscal year 2007. Key elements of this are as follows:

- Current assets and cash increased by \$818,684.
- Investment in capital assets, net of related debt decreased \$577,463.
- Current and long-term liabilities increased by \$3,915,170.
- Revenues were \$7,156,157 as reflected in the Statement of Activities.
- Expenditures totaled \$6,914,936 as reflected in the Statement of Activities.

*Business-type Activities.* Bourbon County's net assets increased by \$5,424 in fiscal year 2007. Key elements of this are as follows:

- Current assets and cash increased by \$5,424.

**Bourbon County**  
**Management's Discussion and Analysis**  
**June 30, 2007**  
**(Continued)**

**Financial Analysis of the County's Funds**

As noted earlier, Bourbon County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds Overview.* The focus of Bourbon County governmental funds is to provide information on current inflows, outflows, and balances of expendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the June 30, 2007 fiscal year, the combined ending fund balance of County governmental funds was \$9,695,556. Approximately 42% (\$4,108,302) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance is reserved to indicate that it is not available for new spending because it is committed.

The County has 7 major governmental funds. These are 1) General Fund; 2) Road Fund; 3) Jail Fund; 4) John Marston Educational Fund; 5) Clifton Gillespie Fund; 6) Public Properties Corporation Courthouse Bonds Fund; and 7) Public Properties Corporation Bond Proceeds Fund. There are 21 non-major funds. They are the Local Government Economic Assistance Fund, State Grant Fund, Wright House Fund, Phase I Fund, Health and Welfare Fund, Educational Trust Checking Fund, E.M. Costello Fund, Garth Fund, Thomas Costello Fund, Hamilton Fund, Robert Meteer Fund, Lucy Anderson Fund, Harrell-Kennedy Fund, Elaine Hinkle Fund, Lou Redmon Fund, Howard Forquer Fund, May Goff Fund, Talbott Clay Fund, Frances Champ Fund, FM Gillespie Fund, and the Ella Davis Fund.

1. The General Fund is the chief operating fund of Bourbon County. At the end of the June 30, 2007 fiscal year, unreserved fund balance of the General Fund was \$2,296,878, while total fund balance was \$2,302,234. The county received \$1,938,476 in Occupational and Net Profit tax revenues. This accounts for approximately 43% of the general fund revenue (excluding prior year surplus). Likewise, the \$956,390 real property taxes received accounts for approximately 21% of the county's general fund revenues. All other taxes totaling \$518,423 accounts for 12%. The importance of the occupational taxes collected is reflected in these statistics.
2. The Road Fund is the fund related to county road and bridge construction and maintenance. The Road Fund had \$433,751 in fund balance at June 30, 2007. The fund balance at the end of the previous year was \$479,770.
3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a fund balance at June 30, 2007 of \$2,701. The General Fund must supplement the jail budget each year—for fiscal year 2007, \$699,000 was transferred to the jail.

**Bourbon County  
Management's Discussion and Analysis  
June 30, 2007  
(Continued)**

**Financial Analysis of the County's Funds (Continued)**

4. The John Marston Educational Fund had an ending balance of \$1,440,738 as of June 30, 2007. The John Marston Educational Fund is a testamentary trust established under the will of John Marston. All interest income is to be paid semi-annually to the Bourbon County Treasurer for the use and benefit of young men and women of Bourbon County in achieving their educational goals.
5. The Clifton Gillespie Fund was established by the 1943 will of Bourbon County resident, Clifton Gillespie. It named the Bourbon County Fiscal Court as trustee to assist needy residents of Bourbon County with hospital expenses. On June 30, 2007, its fund balance was \$1,368,264. Interest income is issued semi-annually to provide means of payment toward indigent medical bills.
6. The Public Properties Corporation Courthouse Bonds Fund was set up during fiscal year 2007 for courthouse renovations. The Public Properties Corporation Courthouse Bonds Fund had an ending balance of \$675,417 as of June 30, 2007.
7. The Public Properties Corporation Bond Proceeds Fund had an ending fund balance of \$12,600 on June 30, 2007. The Public Properties Corporation Bond Proceeds Fund is for the debt reduction of the AOC Courthouse Annex.

*Proprietary Funds Overview.* The County's proprietary fund statements provide the same type of information found in the business-type activities column of the government-wide statements, but in more detail.

Bourbon County has one enterprise fund, the Jail Canteen Fund. The Jail Canteen Fund had net assets of \$39,612 as of June 30, 2007, which was comprised totally of cash.

**General Fund Budgetary Highlights**

The County's original budget was amended during the fiscal year increasing the operating budget by \$502,892. Actual revenues were \$4,295,231 less than budgeted due to grant revenues included in budget not being received. This led to actual expenditures being less than budgeted.

**Capital Assets and Debt Administration**

*Capital Assets.* Bourbon County's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounts to \$13,998,448 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles, and current year infrastructure additions.

Additional information on the County's capital assets can be found in Note 3 of this report.

**Bourbon County**  
**Management's Discussion and Analysis**  
**June 30, 2007**  
**(Continued)**

**Capital Assets and Debt Administration (Continued)**

	Governmental Activities		Business-type Activities		Total	
	2006	2007	2006	2007	2006	2007
Land and Land Improvements	\$ 856,877	\$ 856,877	\$	\$	\$ 856,877	\$ 856,877
Buildings	6,757,092	9,641,467			6,757,092	9,641,467
Other Equipment	693,283	663,731			693,283	663,731
Vehicles and Equipment	379,287	316,167			379,287	316,167
Infrastructure	1,974,202	2,520,206			1,974,202	2,520,206
Total Capital Assets	\$ 10,660,741	\$ 13,998,448	\$	\$	\$ 10,660,741	\$ 13,998,448

*Long-Term Debt.* At the end of the 2007 fiscal year, Bourbon County had total long-term debt principal outstanding of \$8,096,768. The amount of this debt due within the next year is \$364,830 and \$7,731,938 is due in subsequent years. This debt is described in Note 5 of the notes to the financial statements.

**Other matters.** The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2008 fiscal year budget:

- In December 2006, the Administrative Office of the Courts refinanced the 2000 series of bonds for the Courthouse Annex (Judicial Center). Financed for 15 years, these bonds are paid 100% by the Administrative Office of the Courts but are reflected as a long-term liability for Bourbon County.
- Final bids on the renovation of the historical Bourbon County Courthouse resulted in two separate bonds being issued to fund the project. In October 2006, a 10-year bond was issued for \$2 million dollars. Then in February 2007, a 20-year bond was issued for \$1.75 million dollars. Not only was the dome and roof repaired, but new electrical and data wiring was installed. Also a new central heating and air conditioning system was installed.
- In March 2007 our jailer resigned his position. This will result in a special election to be held to replace him. The day-to-day operations of the jail continued with a sheriff's deputy being assigned temporarily to oversee the jail.

**Requests For Information**

This financial report is designed to provide a general overview of Bourbon County's finances for all those with an interest in the county government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Bourbon County Treasurer, 301 Main Street, Room 210, Paris, KY 40361.



**BOURBON COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2007**



**BOURBON COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2007**

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 4,121,940	\$ 39,612	\$ 4,161,552
Permanently Restricted Assets:			
Cash and Cash Equivalents	275,328		275,328
Bonds - Government	1,964,440		1,964,440
Bonds - Corporate	327,117		327,117
Bonds - Municipal	55,000		55,000
Mutual Funds - Fixed	916,406		916,406
Mutual Funds - Equity	852,900		852,900
Mutual Funds - Taxable	216,392		216,392
Common Stock	966,033		966,033
Total Current Assets	<u>9,695,556</u>	<u>39,612</u>	<u>9,735,168</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	856,877		856,877
Buildings	9,641,467		9,641,467
Other Equipment	663,731		663,731
Vehicles and Equipment	316,167		316,167
Infrastructure Assets	2,520,206		2,520,206
Total Noncurrent Assets	<u>13,998,448</u>		<u>13,998,448</u>
Total Assets	<u>23,694,004</u>	<u>39,612</u>	<u>23,733,616</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Revenue Bonds	195,000		195,000
General Obligation Bonds	165,000		165,000
Financing Obligations	4,830		4,830
Total Current Liabilities	<u>364,830</u>		<u>364,830</u>
Noncurrent Liabilities:			
Revenue Bonds	4,065,000		4,065,000
General Obligation Bonds	3,585,000		3,585,000
Financing Obligations	81,938		81,938
Total Noncurrent Liabilities	<u>7,731,938</u>		<u>7,731,938</u>
Total Liabilities	<u>8,096,768</u>		<u>8,096,768</u>
<b>NET ASSETS</b>			
Invested in Capital Assets,			
Net of Related Debt	5,901,680		5,901,680
Restricted For:			
Capital Projects	675,417		675,417
Permanent Fund	5,573,616		5,573,616
Debt Service	12,600		12,600
Unrestricted	3,433,923	39,612	3,473,535
Total Net Assets	<u>\$ 15,597,236</u>	<u>\$ 39,612</u>	<u>\$ 15,636,848</u>

The accompanying notes are an integral part of the financial statements.

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**BOURBON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2007**

**BOURBON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

		Program Revenues Received	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental Activities:			
General Government	\$ 2,721,688	\$ 100,720	\$ 886,198
Protection to Persons and Property	2,029,672	154,606	418,768
General Health and Sanitation	189,046	8,434	
Social Services	444,996		
Recreation and Culture	248,656	24,526	
Roads	626,417		1,312,739
Debt Service	654,461		
Total Governmental Activities	6,914,936	288,286	2,617,705
Business-type Activities:			
Jail Canteen	135,879	141,303	
Total Business-type Activities	135,879	141,303	
Total Primary Government	\$ 7,050,815	\$ 429,589	\$ 2,617,705

**General Revenues:**

Taxes:  
    Real Property Taxes  
    Personal Property Taxes  
    Motor Vehicle Taxes  
    Other Taxes  
Excess Fees  
Miscellaneous Revenues  
Accrued Interest Received

        Total General Revenues  
        Change in Net Assets  
Net Assets - Beginning  
Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**BOURBON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2007**  
**(Continued)**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
\$ (1,734,770)	\$	\$ (1,734,770)
(1,456,298)		(1,456,298)
(180,612)		(180,612)
(444,996)		(444,996)
(224,130)		(224,130)
686,322		686,322
(654,461)		(654,461)
<u>(4,008,945)</u>		<u>(4,008,945)</u>
	5,424	5,424
	<u>5,424</u>	<u>5,424</u>
<u>(4,008,945)</u>	<u>5,424</u>	<u>(4,003,521)</u>
956,390		956,390
77,656		77,656
215,075		215,075
2,073,536		2,073,536
125,379		125,379
379,858		379,858
<u>422,272</u>		<u>422,272</u>
<u>4,250,166</u>		<u>4,250,166</u>
241,221	5,424	246,645
<u>15,356,015</u>	<u>34,188</u>	<u>15,390,203</u>
<u>\$ 15,597,236</u>	<u>\$ 39,612</u>	<u>\$ 15,636,848</u>

The accompanying notes are an integral part of the financial statements.

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**BOURBON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2007**

**BOURBON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2007**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>John Marston Educational Fund</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,302,234	\$ 433,751	\$ 2,701	\$
Cash and Cash Equivalents - Non-Expendable Trust				89,732
Bonds - Government				580,000
Bonds - Corporate				153,390
Bonds - Municipal				55,000
Mutual Funds - Fixed				235,685
Mutual Funds - Equity				
Mutual Funds - Taxable				
Common Stock				326,931
Total Assets	<u>2,302,234</u>	<u>433,751</u>	<u>2,701</u>	<u>1,440,738</u>
<b>FUND BALANCES</b>				
Reserved for:				
Encumbrances	5,356	6,025	2,041	
Permanent Funds				1,440,738
Unreserved:				
General Fund	2,296,878			
Special Revenue Funds		427,726	660	
Capital Projects Fund				
Debt Service Fund				
Total Fund Balances	<u>\$ 2,302,234</u>	<u>\$ 433,751</u>	<u>\$ 2,701</u>	<u>\$ 1,440,738</u>

The accompanying notes are an integral part of the financial statements.

**BOURBON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2007**  
**(Continued)**

<b>Clifton Gillespie Fund</b>	<b>Public Properties Corporation Courthouse Bonds Fund</b>	<b>Public Properties Corporation Bond Proceeds Fund</b>	<b>Non- Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$	\$ 675,417	\$ 12,600	\$ 695,237	\$ 4,121,940
47,262			138,334	275,328
681,900			702,540	1,964,440
			173,727	327,117
				55,000
			680,721	916,406
			852,900	852,900
			216,392	216,392
639,102				966,033
1,368,264	675,417	12,600	3,459,851	9,695,556
			216	13,638
1,368,264			2,764,614	5,573,616
				2,296,878
			695,021	1,123,407
	675,417			675,417
		12,600		12,600
\$ 1,368,264	\$ 675,417	\$ 12,600	\$ 3,459,851	\$ 9,695,556

**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:**

Total Fund Balances	\$ 9,695,556
Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources and Therefore Are Not Reported in the Funds.	17,158,896
Accumulated Depreciation	(3,160,448)
Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Financing Obligations	(86,768)
Bonds	(8,010,000)
Net Assets Of Governmental Activities	\$ 15,597,236

The accompanying notes are an integral part of the financial statements.

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**BOURBON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

**BOURBON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>John Marston Educational Fund</b>
<b>REVENUES</b>				
Taxes	\$ 3,413,289	\$	\$	\$
Excess Fees	125,379			
Licenses and Permits	84,302			
Intergovernmental	622,941	1,204,015	358,232	
Charges for Services	19,720		31,073	
Miscellaneous	89,728	2,565	18,418	43,930
Interest	115,416	26,302	1,360	55,197
Total Revenues	<u>4,470,775</u>	<u>1,232,882</u>	<u>409,083</u>	<u>99,127</u>
<b>EXPENDITURES</b>				
General Government	1,163,452			
Protection to Persons and Property	965,460		901,101	
General Health and Sanitation	160,708	28,338		
Social Services	224,941			8,572
Recreation and Culture	274,856			
Roads		446,790		
Debt Service	40,668			
Capital Projects		635,617		
Administration	709,400	168,156	219,054	
Total Expenditures	<u>3,539,485</u>	<u>1,278,901</u>	<u>1,120,155</u>	<u>8,572</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>931,290</u>	<u>(46,019)</u>	<u>(711,072)</u>	<u>90,555</u>
<b>Other Financing Sources (Uses)</b>				
Bond Issuance				
Discount on Bond Issuance				
Payment to Escrow Agent for Refunding				
Payment to Escrow Account from 2000 Bond Fund				
Transfers From Other Funds			699,000	
Transfers To Other Funds	(721,121)			(48,106)
Total Other Financing Sources (Uses)	<u>(721,121)</u>		<u>699,000</u>	<u>(48,106)</u>
Net Change in Fund Balances	210,169	(46,019)	(12,072)	42,449
Fund Balances - Beginning	2,092,065	479,770	14,773	1,398,289
Fund Balances - Ending	<u>\$ 2,302,234</u>	<u>\$ 433,751</u>	<u>\$ 2,701</u>	<u>\$ 1,440,738</u>

The accompanying notes are an integral part of the financial statements.

**BOURBON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2007**  
**(Continued)**

<b>Clifton Gillespie Fund</b>	<b>Public Properties Corporation Courthouse Bonds Fund</b>	<b>Public Properties Corporation Bond Proceeds Fund</b>	<b>Non- Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$	\$	\$	\$	\$ 3,413,289
				125,379
				84,302
			554,774	2,739,962
		105,487		156,280
39,469			126,050	320,160
48,308	48,005	6,952	120,732	422,272
<u>87,777</u>	<u>48,005</u>	<u>112,439</u>	<u>801,556</u>	<u>7,261,644</u>
	2,965,991	123,239	263	4,252,945
			48,058	1,914,619
				189,046
3,205			208,278	444,996
				274,856
				446,790
	129,772	171,019		341,459
			50,000	685,617
		5,000	393,190	1,494,800
<u>3,205</u>	<u>3,095,763</u>	<u>299,258</u>	<u>699,789</u>	<u>10,045,128</u>
<u>84,572</u>	<u>(3,047,758)</u>	<u>(186,819)</u>	<u>101,767</u>	<u>(2,783,484)</u>
	3,750,000	4,260,000		8,010,000
	(48,946)	(34,150)		(83,096)
		(4,143,837)		(4,143,837)
		(180,899)		(180,899)
	22,121		151,571	872,692
(49,618)			(53,847)	(872,692)
<u>(49,618)</u>	<u>3,723,175</u>	<u>(98,886)</u>	<u>97,724</u>	<u>3,602,168</u>
34,954	675,417	(285,705)	199,491	818,684
1,333,310		298,305	3,260,360	8,876,872
<u>\$ 1,368,264</u>	<u>\$ 675,417</u>	<u>\$ 12,600</u>	<u>\$ 3,459,851</u>	<u>\$ 9,695,556</u>

The accompanying notes are an integral part of the financial statements.

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**BOURBON COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**



**BOURBON COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

Net Change in Fund Balances - Total Governmental Funds	\$ 818,684
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Amounts Reported for Governmental Activities in the Statement of Activities  
Are Different Because:

Governmental Funds Report Capital Outlays as Expenditures. However, in the  
Statement of Activities the Cost of those Assets Is Allocated Over Their  
Estimated Useful Lives and Reported as Depreciation Expense.

Capital Outlay	3,831,707
Depreciation Expense	(494,000)

The issuance of long-term debt (e.g. bonds, financing obligations)  
provides current financial resources to government funds while  
Lease and Bond Principal Payments Are Expensed in the Governmental Funds  
as a Use of Current Financial Resources. These transactions, however, have no  
effect on net assets.

Bond Proceeds	(8,010,000)
Financing Obligations Principal Payments	4,830
Bond Principal Payments	175,000
Payments to Escrow for Refunding Amount	<u>3,915,000</u>

Change in Net Assets of Governmental Activities	<u><u>\$ 241,221</u></u>
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**BOURBON COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2007**



**BOURBON COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2007**

	<b>Business-Type Activity</b>
	<b>Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 39,612
Total Assets	<u>39,612</u>
<b>Net Assets</b>	
Unrestricted	39,612
Total Net Assets	<u><u>\$ 39,612</u></u>

The accompanying notes are an integral part of the financial statements.





**BOURBON COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**



**BOURBON COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

	<b>Business-Type Activity Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Revenues</b>	
Total Revenues	141,303
<b>Expenses</b>	
Total Expenses	135,879
Operating (Loss)	5,424
Change In Net Assets	5,424
Total Net Assets - Beginning	34,188
Total Net Assets - Ending	\$ 39,612

The accompanying notes are an integral part of the financial statements.

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**BOURBON COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**



**BOURBON COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

	<b>Business-Type Activity</b> <hr/> <b>Enterprise Fund</b> <hr/>
	<b>Jail Canteen Fund</b> <hr/>
<b>Cash Flows From Operating Activities</b>	
<b>and/or Noncapital Financing Activities</b>	
Revenues	\$ 141,303
Expenditures	<u>(135,879)</u>
Net Increase in Cash and Cash	
Equivalents	5,424
Cash and Cash Equivalents - July 1, 2006	<u>34,188</u>
Cash and Cash Equivalents - June 30, 2007	<u><u>\$ 39,612</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets among other items are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Bourbon County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The county has no discretely presented component units.

**Blended Component Units**

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Blended Component Units (Continued)

Bourbon County Public Properties Corporation

The Bourbon County Public Properties Corporation cannot be sued in its own name without recourse to the Bourbon County Fiscal Court, which appoints a voting majority consisting of fiscal court members and the County Attorney. The fiscal court is able to impose its will on the Corporation, as the Corporation is created solely for the benefit of the fiscal court per KRS 58.180 to act as an agent in the acquisition and financing of any public project. The fiscal court has access to the Corporation's resources, is legally obligated to finance the debts of or provide financial support to the Corporation. The Corporation is financially accountable to the fiscal court. This component unit is blended within the financial statements of the county.

**C. Bourbon County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Bourbon County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Bourbon County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and modified cash basis of accounting and report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally, and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) September 15, due at discount November 1, due at face value December 31, delinquent January 1, following the assessment and subject to lien and sale February 1, following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary funds) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The governmental fund financial statements are reported using the current economic measurement focus and the modified cash basis of accounting.

The primary government reports the following major governmental funds:

**General Fund** - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

**Road Fund** - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**Jail Fund** - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

John Marston Educational Fund - This fund was established by the will and codicil of John Marston. The will imposed that the funds be held in perpetuity, which means that the original principal amount remain intact. The primary purpose of this fund is to account for income generated by the principal. The income less applicable administrative costs is to be spent for educational scholarships. The county has a committee, appointed by the County Judge/Executive, that decides how the money shall be disbursed based on applications received by the County Judge/Executive's office.

Clifton Gillespie Fund - This fund was established by the will and codicil of Clifton Gillespie. The will imposed that the funds be held in perpetuity, which means that the original principal amount remain intact. The primary purpose of this fund is to provide financial assistance with hospitals to indigent residents of Bourbon County. The County Judge/Executive decides who shall receive assistance from this fund by applications submitted. Each eligible person is limited to \$2,000.

Public Properties Corporation Courthouse Bonds Fund - The Public Properties Corporation Fund accounts for the activities of the Public Properties Corporation, a blended component unit of the county. The Public Properties Corporation issued debt to complete renovations on the courthouse. The Department for Local Government does not require the fiscal court to report or budget these funds.

Public Properties Corporation Bond Proceeds Fund - The Public Properties Corporation Fund accounts for the activities of the Public Properties Corporation, a blended component unit of the county. The Public Properties Corporation issued debt to construct/finance a judicial center. The Department for Local Government does not require the fiscal court to report or budget these funds.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, State Grant Fund, Wright House Fund, Phase I Fund, Health and Welfare Fund, Educational Trust Checking Fund, E.M. Costello Fund, Garth Fund, Thomas Costello Fund, Hamilton Fund, Robert Meteer Fund, Lucy Anderson Fund, Harrell-Kennedy Fund, Elaine Hinkle Fund, Lou Redmon Fund, Howard Forquer Fund, May Goff Fund, Talbott Clay Fund, Frances Champ Fund, FM Gillespie Fund and the Ella Davis Fund. These funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**Proprietary Funds**

Proprietary funds are reported using the economic resources measurement focus and the modified cash basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to inmates for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Government Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**Proprietary Funds (Continued)**

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, non-depreciable land improvements, depreciable land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 2,500	10-50

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**G. Long-term Obligations**

In the government-wide financial statements and proprietary funds in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted for the Educational Trust Funds or the Jail Canteen Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Educational Trust Funds or the Jail Canteen Fund to be budgeted because the fiscal court does not approve expenses from these funds.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**J. Related Organization and Joint Venture**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Judy Water Association is considered a related organization of Bourbon County Fiscal Court.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the Paris-Bourbon County Economic Development Authority is considered a joint venture of the Bourbon County Fiscal Court.

**Note 2. Deposits and Investments**

**A. Deposits**

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2007, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**B. Investments**

As of June 30, 2007, the County had the following investments:

**Cash and Investments by Type**

<b>I. Cash</b>	<b>Cost</b>
Cash	\$ 2,079
Money Market	243,249
Certificate of Deposit	30,000
Total Cash	<u>\$ 275,328</u>

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 2. Deposits and Investments (Continued)**

**B. Investments (Continued)**

**II. Investments**

	Cost					
	< 1 Year	1-5 Years	6-10 Years	11-15 Years	16-20 Years	> 20 Years
Fixed Income Investments:						
Corporate Bonds	\$ 24,395	\$ 177,785	\$ 124,938	\$	\$	\$
Government Bonds		1,712,026	136,038	88,078	83,297	
Other Bonds		290,481				
Total:	\$ 24,395	\$ 2,180,292	\$ 260,976	\$ 88,078	\$ 83,297	\$
Other Investments:	Cost					
Common Stock	\$ 966,033					
Mutual Funds	1,695,217					
Total:	2,661,250					
Total Investments	\$ 5,298,288					

**Interest Rate Risk.** The County does not have a formal investment policy that limits its investment maturities as a means of managing its exposure to losses arising from changes in interest rates.

**Credit Risk.** KRS 66.480 limits the County's investments in the following:

- Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, obligations and contracts for future delivery or purchase of obligations backed by the United States or its agencies and obligations of any corporation of the United States Government.
- Certificates of Deposit issued by or other interest-bearing accounts of any bank or savings and loan institution insured by the Federal Deposit Insurance Corporation or similar entity.
- Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one of the three highest categories by a nationally recognized rating agency.
- Bankers' acceptances for bank's rate in one of the three highest categories by a nationally recognized rating agency.
- Commercial paper rated in the highest category by a nationally recognized agency.
- Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities.
- Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States and rated in one of the three highest categories by a nationally recognized rating agency.
- Shares of mutual funds meeting specific characteristics outlined in the statute shall be eligible investments.



**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 2. Deposits and Investments (Continued)**

**B. Investments (Continued)**

Also, the County is limited to investing no more than 20% in any one of four specifically mentioned investments as allowed by KRS 66.480. The County had no investment policy that would further limit its investment choices. In general, certificates of deposit are not subject to investment credit risk. See the chart below for credit ratings for each individual investment type.

**Investments and Credit Ratings**

	AAA	AA	B	Unrated	Cost
Fixed Income Investments:					
Corporate Bonds	\$	\$ 327,118	\$	\$	\$ 327,118
Government Bonds	2,019,439				2,019,439
Other Bonds	290,481				290,481
Common Stock			966,033		966,033
Mutual Funds				1,695,217	1,695,217
Total Investments	\$ 2,309,920	\$ 327,118	\$ 966,033	\$ 1,695,217	\$ 5,298,288

**Concentration of Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of the County's investment in a single issuer. See the chart below for investments that exceed five percent or more of the total investments for the County.

<b>Concentration of Credit Risk:</b>	<b>Cost</b>	<b>Concentration %</b>
Fixed Income Investments:		
Corporate Bonds	\$ 327,118	6%
Government Bonds	2,019,439	38%
Other Bonds	290,481	5%
Common Stock	966,033	18%
Mutual Funds	1,695,217	32%
<b>Total:</b>	<b>\$ 5,298,288</b>	<b>100%</b>

**Custodial Credit Risk.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments held in the possession of an outside party. The County does not have an investment policy for custodial credit risk. As of June 30, 2007, the County's investments were not exposed to custodial credit risk.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2007 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 856,877	\$	\$	\$ 856,877
Total Capital Assets Not Being Depreciated	856,877			856,877
Capital Assets, Being Depreciated:				
Buildings	7,877,818	3,059,631		10,937,449
Other Equipment	1,180,295	76,006		1,256,301
Vehicles and Equipment	1,181,040	3,900		1,184,940
Infrastructure	2,231,159	692,170		2,923,329
Total Capital Assets Being Depreciated	12,470,312	3,831,707		16,302,019
Less Accumulated Depreciation For:				
Buildings	(1,120,726)	(175,256)		(1,295,982)
Other Equipment	(487,012)	(105,558)		(592,570)
Vehicles and Equipment	(801,753)	(67,020)		(868,773)
Infrastructure	(256,957)	(146,166)		(403,123)
Total Accumulated Depreciation	(2,666,448)	(494,000)		(3,160,448)
Total Capital Assets, Being Depreciated, Net	9,803,864	3,337,707		13,141,571
Governmental Activities Capital Assets, Net	\$ 10,660,741	\$ 3,337,707	\$ 0	\$ 13,998,448

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 124,622
Protection to Persons and Property	167,873
Recreation and Culture	11,475
Roads, Including Depreciation of General Infrastructure Assets	<u>190,030</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 494,000</u>

The county has elected not to report infrastructure assets retroactively; therefore, only infrastructure costs incurred since implementation of GASB 34 in fiscal year 2004 to present are reflected as a capital asset. Future infrastructure asset expenditures will be capitalized and expensed according to the capitalization policy adopted by the county.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 4. Short-term Debt**

In July 2006, Bourbon County participated in the Kentucky Association of Counties Kentucky Advance Revenue Program by issuing a note in the amount of \$1,494,750, with principal being due in January 2007. While the county did not use the borrowed funds in order to meet current General Fund expenses, they were able to reinvest the funds and receive net interest earnings from the Kentucky Association of Counties Kentucky Advance Revenue Program of \$10,214.

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Governmental Activities:</b>				
Kentucky Advance Revenue Program	\$ 0	\$ 1,494,750	\$ 1,494,750	\$ 0
Governmental Activities				
Short-term Liabilities	<u>\$ 0</u>	<u>\$ 1,494,750</u>	<u>\$ 1,494,750</u>	<u>\$ 0</u>

**Note 5. Long-term Debt**

**A. Promissory Term Note Agreement**

During fiscal year ended June 30, 1998, the Bourbon County Public Properties Corporation entered into a promissory term note agreement with Community Ventures Corporation for the purchase and renovation of a manufacturing facility. The Public Properties Corporation was obligated to pay \$131,500 in principal payments over seven years, beginning in 1997 and ending in 2004. On November 15, 2004, the Public Properties Corporation refinanced this promissory term note, with an obligation to pay \$98,656 in principal payments over sixty (60) months, beginning December 15, 2004, with a balloon payment scheduled to be made at the end of the note. As of June 30, 2007, the outstanding principal balance of this note was \$86,768.

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest
2008	5,141	5,277
2009	5,472	4,946
2010	76,155	1,959
Totals	<u>\$ 86,768</u>	<u>\$ 12,182</u>

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**B. First Mortgage Revenue Bonds, Series 2000 (Court Facilities Project)**

On August 1, 2000, the Bourbon County Public Properties Corporation issued bonds, Series 2000, in the amount of \$4,705,000, for the purpose of constructing a circuit and district courts facility. Principal payments were made annually on February 1, and interest on the bonds was payable on February 1 and August 1. Interest of \$105,487 was paid in accordance with the amortization schedule.

On December 1, 2006, the county signed an agreement to defease these bonds with First Mortgage Revenue Refunding Bonds. The scheduled payment was made on February 1, 2007, consisting of a principal payment of \$175,000 and scheduled interest of \$105,487, leaving an outstanding principal balance of \$3,915,000. On December 21, 2006, these bonds were defeased with First Mortgage Revenue Refunding Bonds, Series 2006, leaving no ending balance to be reported as of June 30, 2007.

**C. First Mortgage Revenue Bonds, Series 2006 (Court Facilities Project)**

On December 1, 2006, the Bourbon County Public Properties Corporation issued First Mortgage Revenue Bonds, Series 2006, in the amount of \$4,260,000 for the purpose of the defeasance of the 2000 Series Bonds, along with paying the associated costs of issuing the bond. Of this amount, \$4,174,938 was placed in an escrow account to pay the 2000 bonds upon eligible maturity (beginning on or after February 1, 2011). Principal and interest payments are due February 1, beginning in 2008, and interest, which varies from 3.4% to 3.95%, is payable semiannually on February 1 and August 1, beginning February 1, 2007. As of June 30, 2007, the principal balance was \$4,260,000.

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest
2008	\$ 195,000	\$ 156,980
2009	230,000	150,350
2010	235,000	142,530
2011	245,000	134,540
2012	255,000	125,964
2013-2017	1,415,000	488,026
2018-2022	1,685,000	202,020
Totals	<u>\$ 4,260,000</u>	<u>\$ 1,400,410</u>

On December 1, 2006, Bourbon County entered into a lease agreement with the Administrative Office of the Courts (AOC), which states that AOC agrees to pay 100% of the debt service requirements. The lease does not require Bourbon County to make any rental payments toward the project; however, Bourbon County is obligated to provide operation, maintenance, insurance and repair of the project.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**D. General Obligation Public Project Bonds, Series 2006 (Courthouse Renovations I)**

On October 1, 2006, the Bourbon County Public Properties Corporation issued \$2,000,000 of General Obligation Public Project Bonds, Series 2006, for the purpose of renovating the courthouse. Principal payments are due biannually on August 1, beginning in 2007, and interest, which varies from 3.5% to 3.75%, is payable semi-annually on August 1 and February 1, beginning on February 1, 2007. As of June 30, 2007, the outstanding principal balance was \$2,000,000.

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest
2008	\$ 165,000	\$ 65,970
2009	175,000	62,907
2010	180,000	56,695
2011	185,000	50,308
2012	195,000	43,658
2013-2017	1,100,000	105,163
Totals	<u>\$ 2,000,000</u>	<u>\$ 384,701</u>

**E. General Obligation Public Project Bonds, Series 2007 (Courthouse Renovations II)**

On February 1, 2007, the Bourbon County Public Properties Corporation issued \$1,750,000 in General Obligation Public Project Bonds, Series 2007, for the purpose of paying additional costs relating to courthouse renovations. Principal payments are due annually on February 1, beginning in 2008, and interest, which varies from 3.625% to 3.85%, is payable semi-annually on August 1 and February 1, beginning August 1, 2007. As of June 30, 2007, the outstanding principal balance was \$1,750,000.

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest
2008	\$ 60,000	\$ 66,194
2009	65,000	64,018
2010	65,000	61,662
2011	65,000	59,290
2012	70,000	56,918
2013-2017	385,000	244,530
2018-2022	465,000	165,610
2023-2027	575,000	68,338
Totals	<u>\$ 1,750,000</u>	<u>\$ 786,560</u>

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

F. Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 4,090,000	\$ 4,260,000	\$ (4,090,000)	\$ 4,260,000	\$ 195,000
General Obligation Bonds		3,750,000		3,750,000	165,000
Financing Obligations	91,598		(4,830)	86,768	4,830
Governmental Activities Long-term Liabilities	<u>\$ 4,181,598</u>	<u>\$ 8,010,000</u>	<u>\$ (4,094,830)</u>	<u>\$ 8,096,768</u>	<u>\$ 364,830</u>

**Note 6. Interest On Long-term Debt and Financing Obligations**

Debt Service on the Statement of Activities includes \$5,588 in interest on financing obligations and \$210,974 in interest on bonds.

**Note 7. Employee Retirement System**

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 28.21 percent. These actuarially determined rates are established and amended by the Board of Trustees of the system and were equal to the required contribution for the year. The contribution requirements and the amounts contributed to CERS were \$225,179, \$282,246, and \$345,324, respectively for the years ended June 30, 2005, 2006, and 2007.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, KY 40601-6124 or by telephone at (502) 564-4646.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 8. Deferred Compensation**

The Bourbon County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at 502-573-7925.

**Note 9. Insurance**

For the fiscal year ended June 30, 2007, Bourbon County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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**BOURBON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**



**BOURBON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2007**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 2,975,420	\$ 2,975,420	\$ 3,413,289	\$ 437,869
Excess Fees	24,065	508,952	125,379	(383,573)
Licenses and Permits	53,600	53,600	84,302	30,702
Intergovernmental Revenue	5,047,204	5,056,706	622,941	(4,433,765)
Charges for Services	15,000	15,000	19,720	4,720
Miscellaneous	107,825	116,328	89,728	(26,600)
Interest	40,000	40,000	115,416	75,416
Total Revenues	8,263,114	8,766,006	4,470,775	(4,295,231)
<b>EXPENDITURES</b>				
General Government	2,717,706	3,179,156	1,163,452	2,015,704
Protection to Persons and Property	1,341,036	1,380,524	965,460	415,064
General Health and Sanitation	2,623,788	2,625,823	160,707	2,465,116
Social Services	331,856	359,861	224,941	134,920
Recreation and Culture	637,167	668,189	274,856	393,333
Debt Service	10,419	72,790	62,789	10,001
Administration	1,757,321	1,635,842	709,401	926,441
Total Expenditures	9,419,293	9,922,185	3,561,606	6,360,579
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(1,156,179)	(1,156,179)	909,169	2,065,348
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	(843,821)	(843,821)	(699,000)	144,821
Total Other Financing Sources (Uses)	(843,821)	(843,821)	(699,000)	144,821
Net Changes in Fund Balance	(2,000,000)	(2,000,000)	210,169	2,210,169
Fund Balance - Beginning	2,000,000	2,000,000	2,092,065	92,065
Fund Balance - Ending	\$ 0	\$ 0	\$ 2,302,234	\$ 2,302,234

**BOURBON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 837,986	\$ 1,162,986	\$ 1,204,015	\$ 41,029
Miscellaneous	250	250	2,565	2,315
Interest	9,000	9,000	26,302	17,302
Total Revenues	847,236	1,172,236	1,232,882	60,646
<b>EXPENDITURES</b>				
General Health and Sanitation	41,590	41,590	28,338	13,252
Roads	718,061	722,521	446,790	275,731
Capital Projects	300,000	649,669	635,617	14,052
Administration	337,585	308,456	168,156	140,300
Total Expenditures	1,397,236	1,722,236	1,278,901	443,335
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(550,000)	(550,000)	(46,019)	503,981
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	100,000	100,000		(100,000)
Total Other Financing Sources (Uses)	100,000	100,000		(100,000)
Net Changes in Fund Balance	(450,000)	(450,000)	(46,019)	403,981
Fund Balance - Beginning	450,000	450,000	479,770	29,770
Fund Balance - Ending	\$ 0	\$ 0	\$ 433,751	\$ 433,751

**BOURBON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**  
**(Continued)**

<b>JAIL FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 387,885	\$ 387,885	\$ 358,232	\$ (29,653)
Charges for Services	31,000	31,000	31,073	73
Miscellaneous	22,500	22,500	18,418	(4,082)
Interest	700	700	1,360	660
Total Revenues	442,085	442,085	409,083	(33,002)
<b>EXPENDITURES</b>				
Protection to Persons and Property	927,018	958,489	901,101	57,388
Administration	259,488	228,017	219,054	8,963
Total Expenditures	1,186,506	1,186,506	1,120,155	66,351
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(744,421)	(744,421)	(711,072)	33,349
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	743,821	743,821	699,000	(44,821)
Total Other Financing Sources (Uses)	743,821	743,821	699,000	(44,821)
Net Changes in Fund Balance	(600)	(600)	(12,072)	(11,472)
Fund Balance - Beginning	600	600	14,773	14,173
Fund Balance - Ending	\$ 0	\$ 0	\$ 2,701	\$ 2,701

**BOURBON COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2007**

**Note 1.      Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Note 2.      Reconciliation Of Actual Operating Revenues And Expenditures To Required Supplementary Information**

Actual operating expenditures of the General Fund reflected in the Statement of Revenues, Expenditures and Changes in Fund Balances is \$22,121 less than on the General Fund Budgetary Comparison Schedule in the Required Supplementary Information. This is due to a reclassification for a transfer out of the General Fund for an interest payment for the Bourbon County Public Properties Courthouse Bonds Fund.

Total other financing sources (uses) of the General Fund reflected in the Statement of Revenues, Expenditures and Changes in Fund Balances is \$22,121 more than that on the General Fund Budgetary Comparison Schedule in the Required Supplementary Information. This is the result of a reclassification for a transfer out of the General Fund for an interest payment for the Bourbon County Public Properties Courthouse Bonds Fund.

**BOURBON COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2007**

**BOURBON COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2007**

	<b>Local Government Economic Assistance Fund</b>	<b>State Grant Fund</b>	<b>Wright House Fund</b>	<b>Phase I Fund</b>	<b>Health and Welfare Fund</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 91,961	\$	\$ 15,398	\$ 221,441	\$ 20,447
Cash and Cash Equivalents - Non-Expendable Trust					
Bonds - Government					
Bonds - Corporate					
Mutual Funds - Fixed					
Mutual Funds - Equity					
Mutual Funds - Taxable					
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>91,961</u>	<u></u>	<u>15,398</u>	<u>221,441</u>	<u>20,447</u>
<b>FUND BALANCES</b>					
Reserved:					
Encumbrances	216				
Permanent Funds					
Unreserved:					
Special Revenue Funds	<u>91,745</u>	<u></u>	<u>15,398</u>	<u>221,441</u>	<u>20,447</u>
Total Fund Balances	<u>\$ 91,961</u>	<u>\$ 0</u>	<u>\$ 15,398</u>	<u>\$ 221,441</u>	<u>\$ 20,447</u>

The accompanying notes are an integral part of the financial statements.



**BOURBON COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**June 30, 2007**  
**(Continued)**

<b>Educational Trust Checking Fund</b>	<b>E.M. Costello Fund</b>	<b>Garth Fund</b>	<b>Thomas Costello Fund</b>	<b>Hamilton Fund</b>	<b>Robert Meteer Fund</b>	<b>Lucy Anderson Fund</b>
\$ 345,990	\$	\$	\$	\$	\$	\$
		6,083	212	425	36,760	23,866
	36,102	116,310	5,313	10,623	156,196	49,500
					100,000	
					105,000	80,622
					387,882	120,000
						140,102
<u>345,990</u>	<u>36,102</u>	<u>122,393</u>	<u>5,525</u>	<u>11,048</u>	<u>785,838</u>	<u>414,090</u>
	36,102	122,393	5,525	11,048	785,838	414,090
<u>345,990</u>						
<u>\$ 345,990</u>	<u>\$ 36,102</u>	<u>\$ 122,393</u>	<u>\$ 5,525</u>	<u>\$ 11,048</u>	<u>\$ 785,838</u>	<u>\$ 414,090</u>

The accompanying notes are an integral part of the financial statements.

**BOURBON COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**June 30, 2007**  
**(Continued)**

	<b>Harrell- Kennedy Fund</b>	<b>Elaine Hinkle Fund</b>	<b>Lou Redmon Fund</b>	<b>Howard Forquer Fund</b>	<b>May Goff Fund</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$	\$	\$	\$	\$
Cash and Cash Equivalents - Non-Expendable Trust	536	676	1,465	13,165	1,483
Bonds - Government				146,207	
Bonds - Corporate				49,332	
Mutual Funds - Fixed	17,306	6,578	11,975	390,240	24,000
Mutual Funds - Equity	15,991	19,693	17,169		31,748
Mutual Funds - Taxable			3,389		5,648
<b>Total Assets</b>	<b>33,833</b>	<b>26,947</b>	<b>33,998</b>	<b>598,944</b>	<b>62,879</b>
<b>FUND BALANCES</b>					
Reserved:					
Encumbrances					
Permanent Funds	33,833	26,947	33,998	598,944	62,879
Unreserved:					
Special Revenue Funds					
<b>Total Fund Balances</b>	<b>\$ 33,833</b>	<b>\$ 26,947</b>	<b>\$ 33,998</b>	<b>\$ 598,944</b>	<b>\$ 62,879</b>

The accompanying notes are an integral part of the financial statements.

**BOURBON COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**June 30, 2007**  
**(Continued)**

<b>Talbott Clay Fund</b>	<b>Frances Champ Fund</b>	<b>FM Gillespie Fund</b>	<b>Ella Davis Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$	\$	\$	\$	\$ 695,237
8,372	4,145	38,620	2,526	138,334
39,050	49,159	64,455	29,625	702,540
		24,395		173,727
45,000				680,721
150,079		76,967	33,371	852,900
67,253				216,392
<u>309,754</u>	<u>53,304</u>	<u>204,437</u>	<u>65,522</u>	<u>3,459,851</u>
				216
309,754	53,304	204,437	65,522	2,764,614
				695,021
<u>\$ 309,754</u>	<u>\$ 53,304</u>	<u>\$ 204,437</u>	<u>\$ 65,522</u>	<u>\$ 3,459,851</u>

The accompanying notes are an integral part of the financial statements.

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**BOURBON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2007**

**BOURBON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2007**

	<b>Local Government Economic Assistance Fund</b>	<b>State Grant Fund</b>	<b>Wright House Fund</b>	<b>Phase I Fund</b>
<b>REVENUES</b>				
Intergovernmental	\$ 108,724	\$	\$	\$ 446,050
Miscellaneous			6,000	
Interest	3,198		49	14,245
Total Revenues	<u>111,922</u>	<u></u>	<u>6,049</u>	<u>460,295</u>
<b>EXPENDITURES</b>				
General Government			263	
Protection to Persons and Property	48,058			
Social Services				
Capital Projects	50,000			
Administration				393,190
Total Expenditures	<u>98,058</u>	<u></u>	<u>263</u>	<u>393,190</u>
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>13,864</u>	<u></u>	<u>5,786</u>	<u>67,105</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer To Other Funds				
Transfers From Other Funds				
Total Other Financing Sources (Uses)	<u></u>	<u></u>	<u></u>	<u></u>
Net Change in Fund Balances	13,864		5,786	67,105
Fund Balances - Beginning	78,097		9,612	154,336
Fund Balances - Ending	<u>\$ 91,961</u>	<u>\$ 0</u>	<u>\$ 15,398</u>	<u>\$ 221,441</u>

The accompanying notes are an integral part of the financial statements.

**BOURBON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2007**  
**(Continued)**

<b>Health and Welfare Fund</b>	<b>Educational Trust Checking Fund</b>	<b>E.M. Costello Fund</b>	<b>Garth Fund</b>	<b>Thomas Costello Fund</b>	<b>Hamilton Fund</b>
\$	\$	\$	\$	\$	\$
5,000		1,675			
405	1,396	2,248	7,751	425	850
5,405	1,396	3,923	7,751	425	850
2,082	172,369	1,814	266	123	180
2,082	172,369	1,814	266	123	180
3,323	(170,973)	2,109	7,485	302	670
		(2,183)	(1,610)	(148)	(360)
	151,571				
	151,571	(2,183)	(1,610)	(148)	(360)
3,323	(19,402)	(74)	5,875	154	310
17,124	365,392	36,176	116,518	5,371	10,738
\$ 20,447	\$ 345,990	\$ 36,102	\$ 122,393	\$ 5,525	\$ 11,048

The accompanying notes are an integral part of the financial statements.

**BOURBON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2007**  
**(Continued)**

	<b>Robert Meter Fund</b>	<b>Lucy Anderson Fund</b>	<b>Harrell - Kennedy Fund</b>	<b>Elaine Hinkle Fund</b>
<b>REVENUES</b>				
Intergovernmental	\$	\$	\$	\$
Miscellaneous	53,831	6,611	466	1,329
Interest	28,037	14,203	1,212	653
Total Revenues	81,868	20,814	1,678	1,982
<b>EXPENDITURES</b>				
General Government				
Protection to Persons and Property				
Social Services	18,454	4,410	400	100
Capital Projects				
Administration				
Total Expenditures	18,454	4,410	400	100
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	63,414	16,404	1,278	1,882
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer To Other Funds		(13,538)	(995)	(531)
Transfers From Other Funds				
Total Other Financing Sources (Uses)		(13,538)	(995)	(531)
Net Change in Fund Balances	63,414	2,866	283	1,351
Fund Balances - Beginning	722,424	411,224	33,550	25,596
Fund Balances - Ending	\$ 785,838	\$ 414,090	\$ 33,833	\$ 26,947

The accompanying notes are an integral part of the financial statements.



**BOURBON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2007**  
**(Continued)**

<b>Lou Redmon Fund</b>	<b>Howard Forquer Fund</b>	<b>May Goff Fund</b>	<b>Talbott Clay Fund</b>	<b>Frances Champ Fund</b>	<b>FM Gillespie Fund</b>	<b>Ella Davis Fund</b>
\$	\$	\$	\$	\$	\$	\$
169	21,873	1,128	13,192	2	13,896	878
1,202	17,885	2,133	11,193	4,195	7,265	2,187
1,371	39,758	3,261	24,385	4,197	21,161	3,065
430	3,622	415	1,770	270	1,161	412
430	3,622	415	1,770	270	1,161	412
941	36,136	2,846	22,615	3,927	20,000	2,653
(745)	(16,443)	(1,883)	(6,386)		(6,402)	(2,623)
(745)	(16,443)	(1,883)	(6,386)		(6,402)	(2,623)
196	19,693	963	16,229	3,927	13,598	30
33,802	579,251	61,916	293,525	49,377	190,839	65,492
\$ 33,998	\$ 598,944	\$ 62,879	\$ 309,754	\$ 53,304	\$ 204,437	\$ 65,522

The accompanying notes are an integral part of the financial statements.

**BOURBON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2007**  
**(Continued)**

	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>	
Intergovernmental	\$ 554,774
Miscellaneous	126,050
Interest	120,732
Total Revenues	<u>801,556</u>
<b>EXPENDITURES</b>	
General Government	263
Protection to Persons and Property	48,058
Social Services	208,278
Capital Projects	50,000
Administration	393,190
Total Expenditures	<u>699,789</u>
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>101,767</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfer To Other Funds	(53,847)
Transfers From Other Funds	151,571
Total Other Financing Sources (Uses)	<u>97,724</u>
Net Change in Fund Balances	199,491
Fund Balances - Beginning	<u>3,260,360</u>
Fund Balances - Ending	<u><u>\$ 3,459,851</u></u>

The accompanying notes are an integral part of the financial statements.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Donnie Foley, Bourbon County Judge/Executive  
Members of the Bourbon County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial Statements  
Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bourbon County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 28, 2008 wherein we issued a disclaimer of opinion on the business-type activities and the jail canteen fund due to the lack of adequate documentation maintained by the former Jailer. Bourbon County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Bourbon County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bourbon County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bourbon County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying comments and recommendations to be a significant deficiency in internal control over financial reporting.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial Statements  
Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

- Accounts Receivable Of Jail Inmate Fees Should Be Properly Accounted For

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Bourbon County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations.

- Income From Inmates And Jail Canteen Revenues And Expenses Should Be Properly Accounted For And Reported

Management's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Bourbon County Fiscal Court and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

May 28, 2008

**BOURBON COUNTY  
COMMENTS AND RECOMMENDATIONS**

**For The Year Ended June 30, 2007**





**BOURBON COUNTY  
COMMENTS AND RECOMMENDATIONS**

**Fiscal Year Ended June 30, 2007**

**STATE LAWS AND REGULATIONS**

**Income From Inmates And Jail Canteen Revenues And Expenses Should Be Properly Accounted For And Reported**

The former Jailer was responsible for collecting certain monies in the course of his elected position. During the audit, we noted that the former Jailer did not prepare or present a financial statement to the Fiscal Court for the Jail Canteen Fund as required by KRS 441.135. Auditors were also unable to obtain daily check out sheets, receipts ledgers, disbursements ledgers, supporting documentation for disbursements, and bank reconciliations for the Jail Canteen Fund. Unless otherwise specified by statute, the handling of these funds should be in accordance with the requirements for handling all county funds as prescribed by the state local finance officer pursuant to KRS 68.210.

Based on these findings and the responsibility of the Jailer to collect and account for Jail Canteen monies, we recommend the following guidelines for minimum accounting and reporting standards:

- Utilize the cash basis of accounting.
- Maintain the Jail Canteen for the benefit of prisoners lodged in the jail.
- Ensure all profits from the Jail Canteen are used for allowable expenses that are for the benefit and to enhance the well being of the prisoners. Allowable expenses shall include but not be limited to recreational, vocational, and medical purposes.
- The Jailer should implement and follow the fee schedule adopted by the Fiscal Court for assessing fees to inmates housed at the jail. This fee schedule should be consistently applied to all inmates.
- The Jailer should maintain an "inmates account" to identify fees charged to the inmates that were not paid. This minimum information should list the name, admission number, admission date, cash deposited at admission, dates of deposits, dates of withdrawals, and balance or amount due at release.
- Maintain supporting documentation for all disbursements from the Jail Canteen.
- Issue pre-numbered three part receipt forms for all receipts and account for the numerical sequence of all receipts issued.
- Batch daily receipts and agree to daily cash checkout sheet and daily bank deposits.
- Prepare monthly bank reconciliations.
- Maintain receipts and disbursements ledgers. Reconcile to the bank on a monthly basis and reconcile any differences immediately.
- Prepare and present the annual Jail Canteen financial statement to the County Treasurer.

We recommend the Fiscal Court and Jailer implement policies and procedures to ensure that income from inmates and the canteen is properly and consistently collected, receipted and deposited into an official bank account and that the accounting documentation and financial statement requirements outlined above are being met by the Jailer at all times in order to be in compliance with KRS 68.210 and KRS 441.135 in the future.

*OFFICIAL'S RESPONSE: At our 6/12/08 fiscal court meeting, we will by court order require a detailed reporting of all receipts and expenditures of the jail's canteen (commissary) fund. Beginning with July 1, 2008 we will ask for a monthly reporting to the fiscal court.*

**BOURBON COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**Fiscal Year Ended June 30, 2007**  
**(Continued)**

**INTERNAL CONTROL - SIGNIFICANT DEFICIENCY**

**Accounts Receivable Of Jail Inmate Fees Should Be Properly Accounted For**

Based on review of the Bourbon County Detention Center Policy and Procedure Manual, it appears that a policy and plan for collection of inmate accounts receivables is in place. However, financial records to substantiate accounts receivable were not available for the audit period. Also, monitoring of accounts receivable balances or collections of accounts receivable is not done by the fiscal court.

Based on this, we recommend the fiscal court and Jailer implement policies and procedures to ensure accounts receivable from inmates are maintained and collected. These policies and procedures should include but not be limited to:

- Policies and procedures to track and collect accounts receivable from inmates.
- A formal collection process, i.e. turn over to County Attorney, contract with a collection agency, or designate a staff member to actively attempt collection.
- Accounts receivable records maintenance and collection of amounts due from returning former inmates.
- Monitoring accounts receivable balances and implementing a policy with regard to aging of accounts receivable and subsequent write off of uncollectible accounts.

*OFFICIAL'S RESPONSE: A monthly detailed report of inmate receivables will be required of any outstanding fees owed to the county; therefore a listing can be presented to the County Attorney for collection.*

**PRIOR YEAR COMMENTS**

- Income From Inmates And Jail Canteen Revenues And Expenses Should Be Properly Accounted For And Reported - This comment has not been corrected and is repeated in current year.
- Accounts Receivable Of Jail Inmate Fees Should Be Properly Accounted For - This comment has not been corrected and is repeated in current year.

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**BOURBON COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2007**

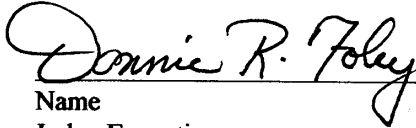
Appendix A




**CERTIFICATON OF COMPLIANCE**  
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**  
**BOURBON COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2007

The Bourbon County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended, as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
Name  
Judge Executive

 5/28/08  
\_\_\_\_\_  
Name  
County Treasurer

